

**AGENCIES OF THE SECRETARY  
OF  
TRANSPORTATION**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2013**

## AUDIT SUMMARY

This report reflects the results of our audit of the **Agencies of the Secretary of Transportation**, with the exception of the Virginia Port Authority, which is audited separately by a CPA firm. Information concerning the operations and financial performance as reflected in Virginia Port Authority's Comprehensive Annual Financial Report audit can be found on our website, [www.apa.virginia.gov](http://www.apa.virginia.gov).

Together, the agencies within the secretariat provide services supporting land, air, and water transportation in the Commonwealth. Their responsibilities include collecting revenues from taxes, licenses, and registrations to fund operations; developing and maintaining highways, seaports, and airports; and assisting in the development of private and local rail, public transportation, highways, airports, and seaports.

Our audit's primary objective for the remaining agencies within the secretariat was to evaluate the accuracy of the agencies' financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2013, and test compliance for the Statewide Single Audit. Our audit for the year ended June 30, 2013, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in each agency's accounting records;
- instances of noncompliance with applicable laws and regulations or other matters that are required to be reported. These matters are included in the section entitled "Audit Observations and Recommendations;"
- certain matters involving internal controls requiring management's attention and corrective action. These matters are also included in the section entitled "Audit Observations and Recommendations;"
- a risk alert for the Department of Transportation and the Commonwealth discussed in the section entitled "Audit Observations and Recommendations;" and,
- adequate corrective action with respect to prior year audit findings not repeated in this report.

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# AUDIT OBSERVATIONS AND RECOMMENDATIONS

## DEPARTMENT OF TRANSPORTATION

### **Risk Alert: Continue to Evaluate Access to Cardinal Data**

Based on concerns observed over the course of the audit, Transportation's process to obtain data from the Cardinal system is not functioning in an efficient and effective manner. Transportation has internal resources available to develop basic queries; however, Transportation depends on the Cardinal team to create, execute, and return more complex queries. Many of the queries needed to support Transportation's financial reporting activities are complex.

While the Cardinal team's focus was strictly on Transportation up through the initial implementation of Cardinal in December 2011, its purpose has expanded beyond Transportation to support the implementation of Cardinal first at the Department of Accounts (Accounts) in October 2012 and now to the remainder of the Commonwealth agencies through 2016. Today, Transportation staff must electronically submit a help desk ticket to the Cardinal team to have a complex query created. The Cardinal team, with monthly input from Transportation's fiscal office, then evaluates and prioritizes the data query request against all of the other requests and priorities given the team. Once they begin to address a help desk ticket for a data query, they will ask the requestor clarifying questions via email or phone, not executing the request until those questions are addressed.

Transportation did not fully develop all of the standard queries needed to support their financial reporting processes or other operational needs, such as compliance and assurance, prior to the transition of the Cardinal team's focus away from Transportation. As a result, their requests are no longer the sole priority for the Cardinal team, and may not be addressed within the timeframe that is most beneficial to Transportation.

The Cardinal system itself is complex and Transportation has many more modules implemented than will be used by the average Commonwealth agency. Given the system's complexity, staff may struggle to communicate effectively what they need from a query. The Cardinal Team in turn does not always understand the business process requiring the data or how the data will be used once retrieved.

Financial reporting errors were observed in the current year caused by either incorrect usage of queries or incorrect data returned from queries due to keying errors. We have issued a separate finding regarding the errors and omissions. Further, throughout the audit, fiscal and operational staff voiced concerns with not being able to get timely data to do their jobs effectively or efficiently.

Most of the queries supporting year-end reporting should stabilize over time, allowing for a simplified data query request process for these standard items. However, as fiscal year 2013 was the first full year of financial activity being captured solely within Cardinal, the queries required to support the financial reporting process have not stabilized. Ultimately, the miscommunications between Transportation and the Cardinal team lead to staff not catching errors within their initial requests, making do with the data they were able to receive, performing additional manipulations of that data to get to what they actually need, and in the process creating errors and misstatements in their submissions.

Until the fiscal and operational data queries stabilize, Transportation should work more closely with the Cardinal team to ensure the accuracy and timely fulfillment of Transportation's data needs. This process at a minimum should involve a more iterative and interactive process, with face-to-face discussion to ensure both the business and technical staff understand the data request. Transportation should also consider whether other areas would benefit from having a very limited number of staff with basic query creation access.

Finally, Transportation should develop educational opportunities for all staff working with Cardinal data to understand the data captured by the system for their area, so that when they do require data from the system, they can effectively communicate their requests with minimal clarification needed from the person creating the query. Comprehensive enterprise applications such as the Cardinal system create a wealth of information for operational use by an organization. However, without sufficiently educated resources in this area or timely access to this data, Transportation will continue to have increased risks regarding the accuracy of their financial reporting, potentially impacting the effectiveness of their operations.

### **Improve Controls over Financial Reporting**

In the prior year, we identified errors in some of Transportation's unaudited financial submissions to Accounts. Transportation attributed most of these errors to challenges from the mid-year implementation of Cardinal and turnover within certain positions, and the errors were predominantly immaterial. However, this year we noted significant errors or omissions in the same, as well as additional submissions, and insufficient support for materially significant submissions.

Specifically for fiscal year 2013, Transportation's unaudited accounts receivable, payables, and capital asset submissions for the Commonwealth's Comprehensive Annual Financial Report (CAFR) compilation contained omissions or errors, which in several instances resulted in material misstatements. Further, the financial reporting preparation and review processes did not include sufficient procedures to prevent or detect these errors or omissions. As a result, we consider this issue to be a material weakness.

Several issues led to the omissions and errors observed and are summarized below:

- Limitations within some fiscal and operational staff's understanding of the data obtained from their financial system, as well as, insufficient communication and coordination within the fiscal office contributed in part to these issues. In some cases, incorrect or incomplete data was the cause for the error, but was not identified by the staff or through the associated review process. In another instance, a keying error in executing a data query caused the incorrect data to be returned. Further, we observed an inability to identify individuals that have the knowledge or ability to explain transactions, leading to the errors observed in the submissions as well as difficulties in explaining why the errors existed. Fiscal staff also cited the lack of communication and coordination as a reason for a material error that agency personnel identified.
- While Transportation maintains financial reporting procedures to support each submission, in some instances, procedures for some submissions did not reflect the

actual steps performed to prepare it in the current year. The omission from the procedures may have been attributable to a new or unusual activity for the current period; however, the nature of the steps taken to address that new or unusual activity was not, in all cases, captured and retained within Transportation's support for the submission. Without step-by-step procedures defining the entire submission preparation process or documentation to address new or unusual activity, Transportation increases their risk for errors from year to year in their financial reporting process, especially when turnover occurs in the key positions preparing and reviewing these submissions.

- Insufficient coordination between Transportation and Accounts regarding the expectations for some submissions as well as the implementation of a new accounting standard led to material errors. Transportation changed several submissions numerous times, as Transportation had difficulty interpreting Accounts directives regarding the reporting requirements for the submission as well as the new accounting standard.
- Inadequate support for items recorded on a submission caused the submission to be considered unreliable. Transportation recorded a \$48.4 million adjustment without ensuring sufficient or appropriate support existed for the amounts. Instead, Transportation relied on a single number provided by a vendor. While the adjustment was found to be correct, lack of adequate supporting documentation increases the risk of recording and reporting improper transactions.

Transportation should ensure their financial reporting procedures over these areas provide sufficient direction for personnel regarding the support needed to prepare the submissions, including the specific system from which to obtain the data, the query criteria to be defined, as well as adequate controls to prevent or detect and correct mistakes, errors, or omissions, like those observed this year. Transportation should supplement this by increasing analytical procedures and review of variances, as well as overall review of submissions to ensure they are reasonable and consistent across submissions.

Where the same data is required for multiple submissions, Transportation should ensure fiscal and operational staff coordinate their data requests from the financial system to ensure they meet the needs for the submissions. Finally, Transportation should work with Accounts to ensure the submission directions specific to Transportation are sufficiently detailed, appropriately timed, and mutually agreed-upon. Improved financial reporting controls and increased coordination with Accounts will help to ensure Transportation's unaudited financial submissions are materially correct and accurately represent their operations in order to meet Transportation and the Commonwealth's financial reporting needs.

### **Improve System Access Monitoring and Management**

During fiscal year 2013, Transportation did not conduct system access reviews of a critical system. Commonwealth standards require management to perform periodic reviews of all user accounts and their corresponding privileges. By not performing the system access reviews as required, management did not identify that one of its critical controls over system access, prompt removal of

system access, was not working as intended. Management did not remove access timely for 46 terminated or transferred employees.

Commonwealth standards require the prompt removal of system access for terminated or transferred employees. Best practice indicates system access should be removed as close to the employee's date of separation as administratively possible. Untimely removal of user access increases the risk of unauthorized transactions and could impact the integrity of the Commonwealth's financial systems.

Management should perform periodic reviews of all user accounts for this critical system and their corresponding privileges to mediate the risk of unauthorized access and transactions in accordance with Commonwealth standards. Due to the complexity of the system in question and number of users, Transportation will need to have a broadly coordinated review process to ensure the nature of individual access privileges are fully appreciated and appropriately questioned. Individuals assigned this responsibility should receive appropriate training and be granted sufficient authority to perform this function. Further, Transportation should evaluate and update their termination and transfer processes to ensure system access is appropriately and timely modified or deleted.

### **Improve IT Risk Assessment**

Transportation does not have a complete IT Risk Assessment for one of their systems, which contains confidential and mission critical information such as personally identifiable information and data supporting the compilation of Transportation and the Commonwealth's financial statements, and the following weaknesses were identified.

Specifically, items typically found in an IT Risk Assessment, such as data sensitivity classification, system owners, data owners, data custodians, etc., are not identified. This information allows management to better assess the risks, threats, and vulnerabilities associated with the system. Transportation should review the current IT Risk Assessment and update the contents to reflect the information found in the IT Systems and Data Sensitivity Classifications and the Business Impact Analysis to provide consistency across the documents that support their IT Security Program and ensure compliance with Commonwealth standards.

Further, Transportation does not have a documented process for performing an annual self-assessment or determining the continued validity of the system's IT Risk Assessment. Documenting this process will provide Transportation with better means of assessing risks, threats, and vulnerabilities in a formal, consistent manner. Doing so will also allow for better communication between management and IT staff performing the system's IT Risk Assessment and ensure compliance with Commonwealth standards.

We recommend that Transportation dedicate the necessary resources to address the concerns and implement the controls discussed above.

### **Improve Controls over User Access**

Transportation does not have sufficient procedures in place to ensure timely termination of access to a key Commonwealth system or an effective record keeping method over this process. Of the 15 employees who terminated or changed positions during the year, Transportation could not demonstrate that access for ten was removed in a timely manner. Further, one additional employee who terminated in December 2012 still had access as of July 1, 2013.

The system contains sensitive information. Employees with access have the ability to make changes in salary or employment information, altering the employee record. Changes made in this system feed through to other systems and can affect employee pay. Therefore, only active employees in positions that require access to this information should have access.

Transportation should establish policies and procedures to ensure that access to this Commonwealth system is removed promptly when it is determined that an employee no longer requires it. Those procedures should include follow-up to ensure requested deletions actually occur. Transportation should also ensure they retain sufficient documentation regarding removal of system access.

### **Improve Controls over FFATA Reporting**

Transportation does not have sufficient controls over transparency reporting to ensure that all sub-grants are reported. The Federal Funding Accountability and Transparency Act (FFATA) and 2 CFR 170 require Transportation to report certain information to the federal government for awards of federal funds that Transportation makes to sub-recipients. Failure to comply with FFATA and corresponding regulations prevent the federal government and taxpayers from knowing which entities are receiving federal funds through Transportation. For almost ten percent of the awards tested, Transportation could not provide evidence that the sub-grant was properly reported or excluded from reporting.

Currently, Transportation uses a manual process to support their reporting. Management sends a spreadsheet with the awards Transportation received to three different divisions, and each division manually reviews all awards listed, indicating which awards were sub-awarded. However, for awards that no division indicated as sub-awarded, there is no further assurance that the award was in fact solely a Transportation administered project. Rather, Transportation relies on the lack of indication by these divisions as their validation. This process increases the risk that a sub-award could go unreported.

Transportation should improve the processes for identifying and reporting sub-grants, taking advantage of electronically available data, to ensure that all sub-grants are reported. Where sufficient data does not exist, Transportation should evaluate the potential for capturing the necessary data electronically so that the process can be automated and the risk of non-compliance minimized.



## **Improve Controls over Sub-recipient Monitoring**

Transportation does not have sufficient controls to ensure all sub-recipient audit reports are received and reviewed in accordance with federal requirements. In addition, Transportation is not reviewing and comparing sub-recipient Schedule of Expenditures of Federal Awards (SEFA) to Transportation's disbursements.

OMB Circular A-133 §\_\_.400.(d)(3) requires pass-through entities to monitor the activities of sub-recipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. More specifically, §\_\_.400 (d)(4) requires pass-through entities to ensure sub-recipients expending \$500,000 or more in Federal awards during the sub-recipient's fiscal year have met the audit requirements of A-133 for that fiscal year. Successful performance of this requirement is dependent on the sub-recipient's fulfillment of the requirement under A-133 §\_\_.320 (b)(2)(xi) to include the amount of expenditures associated with each Federal program in their SEFA.

Transportation did not use the correct data when determining which sub-recipients to review, which resulted in some sub-recipients who received \$500,000 or more in federal funds from Transportation not being reviewed. Further, the division that does the reviews did not compare sub-recipient SEFAs to the amount Transportation provided for the fiscal year.

As a result, Transportation is not able to detect and determine, if a sub-recipient:

- 1) Has had the required audit performed.
- 2) Has an audit result that requires an adjustment to Transportation's records.
- 3) Has incorrectly reported expenditures in their SEFA, which could result in a federal program incorrectly being excluded from testing.

Management at Transportation should improve procedures to ensure that the correct sub-recipient audits are received and reviewed. In addition, management should implement procedures to review and compare sub-recipient SEFAs to Transportation's disbursements.

## **Improve Depreciation Processes and Controls in Equipment Management System**

Transportation does not have adequate processes and controls to ensure that in certain situations its fleet management system, FleetFocusM5, properly and consistently records depreciation on its \$288 million in assets that support its maintenance and construction operations. The FleetFocusM5 system does not track or flag when someone changes an asset's depreciation period. Changing the depreciation period is appropriate in certain circumstances. Making the change will alter current and future depreciation each period, but will still result in full depreciation by the end of the asset's useful life. However, without being able to identify when these changes occur, Transportation cannot ensure that they are proper.

Transportation also does not comply with Governmental Accounting Standard Board's accounting principles when accounting for the correction of an error. We identified two conditions

that occurred often where a correction was necessary. These conditions include (1) entering an asset months or years after its acquisition date and (2) recording the asset in the system without the necessary fields to calculate depreciation. When these conditions occur, Transportation sets the "periods depreciated" to a "plug" amount causing the unit to depreciate the full cost over the remaining period of depreciation rather than over the entire life. This results in an inaccurate higher monthly and yearly depreciation amount, but does result in the asset being fully depreciated by the end of its useful life. Although the total depreciation of the unit over its useful life is correct, the allocation of depreciation is incorrect.

Transportation should ensure that FleetFocusM5 tracks any changes made to a unit's depreciation periods in the system. Transportation is in the process of purchasing a query that will identify when change occurs; however, this was not in place during the audit period. Transportation should continue with the implementation of this process to ensure asset records are accurate. Transportation should also implement a new process for correcting errors that will appropriately allocate depreciation throughout the useful life of the unit.

### **Improve Retirement Reconciliation Process**

Transportation has been unsuccessful in developing an efficient retirement benefit reconciliation process since the implementation of a new system at the Virginia Retirement System (Retirement System) in the fall of 2012. Transportation simply confirms the contribution amount provided by Retirement System as correct without researching any variance between the Retirement System calculated amount and payroll contribution amounts.

The Retirement System's new system changed the type of reconciliation information available as well as the expectations for this reconciliation. The contribution amount is now shown for each agency employee. Due to the size of their organization, Transportation has been unable to verify the contribution amount for each employee within the ten-day window of when the information is available and the confirmation is required.

Commonwealth policies require each agency to reconcile Retirement System contributions monthly. The confirmation submitted by the agency from their reconciliation efforts also asks them to verify that the Retirement System has calculated the correct amount of contribution for the agency's employees. Confirming without researching any existing variances can cause errors in employees' Retirement System records due to incorrectly reported employee information. In turn, this could cause complications when an employee retires, if their contributions were not calculated correctly.

We recommend that Transportation develop and implement a method of researching contribution variances to address the expanded reconciliation required from the Retirement System modernization initiative. This may require working with the Retirement System and other large employers in the Commonwealth, to ensure that the most efficient and effective process is available for all large employers.

### **Improve Procedures over Routine Journal Entries**

While Transportation has procedures in place for completing routine recurring journal entries, Transportation does not maintain a schedule of such journal entries and in some cases, the procedures do not fully describe the steps taken to generate the entry. Based on accounting best practices, Commonwealth policies require that all agencies have policies and procedures for accounting transactions as well as establish a routine schedule for accumulating and submitting journal entries.

Without sufficient procedures, Transportation increases the risk that required journal entries will not take place as well as the risk that entries will be incorrect, especially if there is turnover in fiscal personnel. Further, without adequate procedures, the validity and accuracy of the journal entries cannot be confirmed easily, increasing the risk for material misstatements.

Transportation's fiscal staff should expand their procedures to reflect all steps taken to create, validate, enter, and approve their routine recurring journal entries. These policies and procedures should be approved by management, contain a schedule of routine journal entries, and define appropriate supporting documentation.

## **DEPARTMENT OF MOTOR VEHICLES**

### **Improve Database Management System Security**

The Department of Motor Vehicles (Motor Vehicles) continues to not properly protect certain aspects of a database management system, which contains sensitive information, such as financial records and personally identifiable information. Motor Vehicles did not address two weaknesses identified in the prior year which they had previously indicated would be corrected by the end of January 2013, until we brought their status to Motor Vehicles attention,. Further, we noted an additional weakness regarding the database management system's software version.

We have communicated the details of this issue to management in a separate document marked Freedom of Information Act Exempt under Section 2.2-3705.2 of the Code of Virginia, due to their sensitivity and description of security controls.

We recommend that Motor Vehicles dedicate the necessary resources to ensure timely implementation of all corrective action plan items. Additionally, we recommend that Motor Vehicles address the concerns with the software version to prevent any known vulnerabilities to the database management system from being exploited.

### **Improve User Access Controls**

Motor Vehicles continues to not properly review and assess user account access and privileges to some IT systems that control access to sensitive data and applications. For IT systems containing sensitive data, Commonwealth standards require that agencies review all user accounts and related privileges and confirm their continued need for access.

Motor Vehicles has been working to establish a review of accounts since 2011. Once implemented this review will help to ensure that unneeded accounts are removed, assigned privileges are reviewed, and the reconciliation of account listings between various systems is completed. We recommend that Motor Vehicles dedicate the necessary resources and attention to implement the controls outlined in their corrective action plan developed two years ago.

## **DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION**

### **Implement a Comprehensive Information Security Program**

The Department of Rail and Public Transportation (Rail and Public Transportation) has only ten percent of the policies and procedures required by the Commonwealth's Information Technology Standards currently in place and therefore lacks a comprehensive information security program over their information systems. While some policies and procedures do exist, including a Continuity of Operations Plan (COOP), an Acceptable Use Policy, and a records retention policy, none fully satisfy the nine component areas identified in the Commonwealth's standards. For example, the records retention policy is the Library of Virginia's policy rather than being agency specific, while the COOP is written to satisfy the Commonwealth's standards regarding continuity of business operations and not the Commonwealth's Information Technology Standards regarding the continuity of IT operations.

The Commonwealth's Information Technology Standards outline the minimum acceptable level of information security and risk management for Commonwealth agencies. Agencies are required to provide protection of their own information systems at a level that is greater than or equal to the requirements set by the standard. Without a comprehensive information security program, Rail and Public Transportation increases the risk of inappropriate access to their systems and hampers their ability to ensure sufficient recovery of their systems and data in the event of a disaster. Failing to identify and outline the requirements of key information security roles and responsibilities in accordance with the Standard can also result in a lack of accountability in system users, owners, and security officers and their support of the agency's systems.

Management should ensure they are fully aware of the Commonwealth's Information Technology Standards currently in effect, as they have been recently updated. Management should then evaluate and update their existing policies and procedures and create new policies where none exist, as well as complete the required disaster recovery documents, in order to ensure their compliance with Commonwealth standards. The use of outside resources may be required to ensure that Rail and Public Transportation fully addresses the risks presented within their information system environment.

### **Improve System Access Monitoring**

Rail and Public Transportation does not regularly review user access to a key system to ensure it is reasonable and appropriate. Commonwealth standards require agencies to perform such a review periodically, and at least annually. While the system's user manual contains an authority table illustrating which access levels are appropriate for different positions or departments, management does not have a process to validate user access based on the authority table. Four employees had an access level that was unreasonable based on the guidelines in the authority table. Users with improper access could affect the integrity and accuracy of the information in this system and others due to direct interfaces that are in place between those systems. Rail and Public Transportation should develop and implement a policy to review user access periodically, and at least annually, in accordance with Commonwealth policies, to ensure user access is reasonable and appropriate.

## TRANSPORTATION SECRETARIAT OVERVIEW

The agencies of the Secretary of Transportation oversee land, air, and water transportation in the Commonwealth. They employed over 8,000 people and spent a combined \$4.9 billion on transportation in fiscal year 2013. Their responsibilities include collecting revenues from taxes, licenses, and registrations to fund operations; developing and maintaining highways, airports, and seaports; and assisting in the development of private and local rail, public transportation, highways, airports, and seaports.

In addition to reporting to the Secretary of Transportation, Transportation and Rail and Public Transportation also report to the Commonwealth Transportation Board, who establishes administrative policies for Virginia's transportation system, locates routes, allocates highway funding to specific projects, and provides funding for airports, seaports and public transportation.



This report presents a brief description of funding and use of funds for fiscal year 2013 for the agencies under the Secretary, with the exception of the Virginia Port Authority. Information about the Port Authority can be found in its separate Comprehensive Annual Financial Report, audited separately by a CPA firm. The Commonwealth's Comprehensive Annual Financial Report and Statewide Single Audit Report include additional financial information about these agencies as well as the Commonwealth Transportation Fund. Our website, [www.apa.virginia.gov](http://www.apa.virginia.gov) provides access to each of the reports.

### **Source and Use of Funding**

#### *Commonwealth Transportation Fund*

The Commonwealth Transportation Fund (CTF) is comprised of a number of special funds dedicated to supporting the various modes of transportation through the activities of the Departments of Transportation, Motor Vehicles, Rail and Public Transportation and Aviation, as well as the Virginia Port Authority. The CTF provides the majority, if not all, of the funding for these agencies, with the exception of the Virginia Port Authority and the Motor Vehicle Dealer Board. The Virginia Port Authority has separate revenue streams supporting their operations in addition to funding it receives from the CTF. The Motor Vehicle Dealer Board is self-funded through fees, licenses, and registrations dedicated specifically to their operations and paid by motor vehicle dealers and salespersons.

Appendix A, included at the back of this report, provides a visual representation of the various funds included in the CTF as of June 30, 2013, the flow of revenues into them and the required use of those funds where set out by the Code of Virginia.

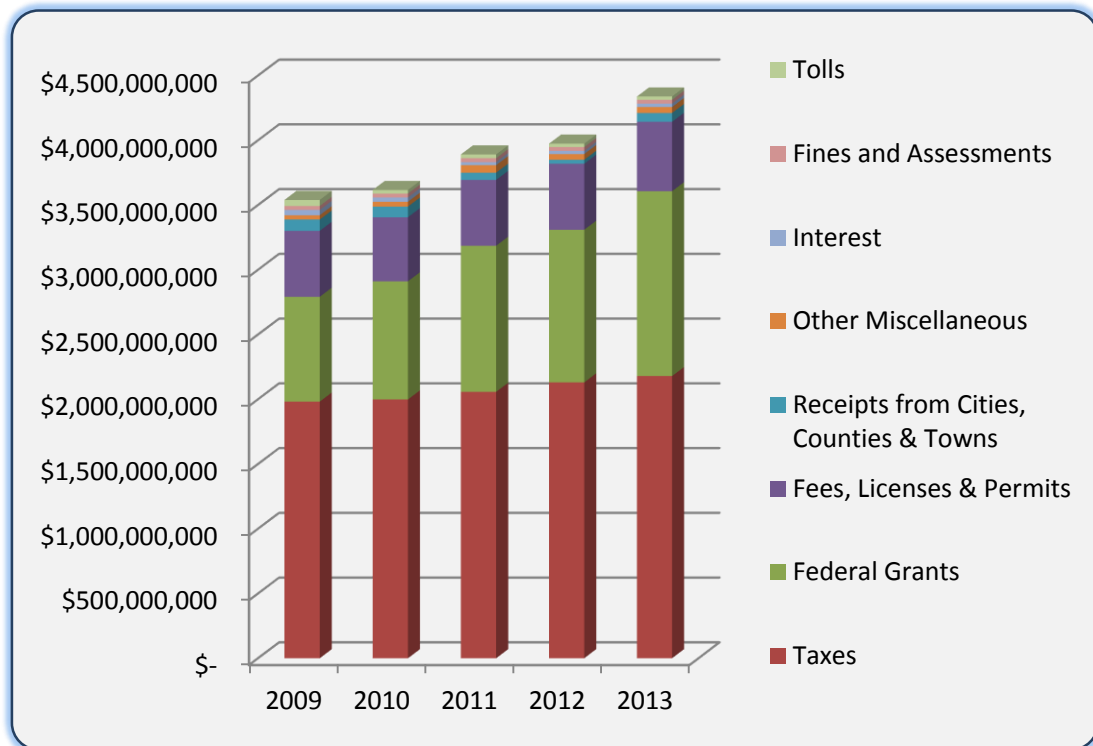
Three main revenue sources, excluding debt, provide 94 percent of the funding for the CTF:

- taxes dedicated to fund transportation by the Code of Virginia;
- federal grants and contracts; and
- fees, licenses, and permits related to transportation activities.

For fiscal year 2013, these and the remaining non-debt related CTF sources generated \$4.3 billion in transportation funding. Chart A below reflects the breakdown of the CTF non-debt related revenue sources over the past five years.

**Five-year Trend of Commonwealth Transportation Fund Revenues**  
(Excluding Bond Proceeds)

**Chart A**



Source: Commonwealth Accounting and Reporting System

\*The legend order mirrors the order of the items presented in this Chart from top to bottom.

Other miscellaneous revenues include rent, donations, and sale of services, property, and recycling.

Tax-related collections represent the largest source of collections and have remained relatively stable during this period, averaging \$2 billion annually, while the federal grants received within the CTF have increased. Much of the growth in federal funds results from the American Reinvestment and Recovery Act of 2009, which provided a one-time influx of additional federal dollars for construction-related projects. In addition, during fiscal year 2013, Transportation increased their efforts to drawdown federal funds in support of active projects to avoid losing them.

While federal grants have the appearance of growing, the long term forecast for federal funding remains a concern for the Commonwealth as Congress has funded the primary grant supporting Transportation through continuing resolutions since 2009, limiting the funding horizon to seven-month periods. The most recent federal transportation legislation, MAP-21, signed into law in July 2012, provides a slightly longer authorization of two years. However, federal transportation commitments, which are backed by federal gas taxes, have required federal general fund supplements since fiscal year 2009. In fact, based on current spending and revenue trends, as of December 2013, the U.S. Department of Transportation estimates that the highway account of the highway trust fund will encounter a shortfall before the end of federal fiscal year 2014.

State sources of revenue will increase significantly beginning with fiscal year 2014 as a result of the passage of House Bill 2313 by the General Assembly during the 2013 session. House Bill 2313 provided the first significant changes to the Commonwealth's transportation funding model since 1986. The legislation as passed focuses on mitigating highway maintenance "crossover" funding demands discussed in more detail later in the report. Highlights of the changes made to CTF funding sources include the following:

- Shifting of fuels taxes from a set amount per gallon to a tax assessed as a percentage on the wholesale price of fuel.
- Increasing sales and use tax by 0.3 percent to be dedicated to Highway Maintenance and Operating Fund, Intercity Passenger Rail Operating and Capital Fund, and Commonwealth Mass Transit Fund.
- Dedicating remote sales tax, if authorized by federal legislation through the Congressional passage of the Marketplace Fairness Act, to transportation. (However, should it not be enacted by January 1, 2015, the wholesale tax on fuel would increase from 3.5 percent to 5.1 percent).
- Increasing motor vehicle sales tax by 1.15 percent, phased in.
- Increasing and expanding the alternative fueled vehicle registration fee to \$64.
- Increasing the share of existing sales and use tax revenues used for transportation from 0.5 percent to 0.675 when fully phased in (fiscal year 2017), also directed to the Highway Maintenance and Operating Fund.
- Imposing additional sales taxes and a fee in Planning Districts meeting certain criteria, specifically the Northern Virginia and Hampton Roads Planning Districts, to support the greater demands for transportation modes in these highly populated regions.

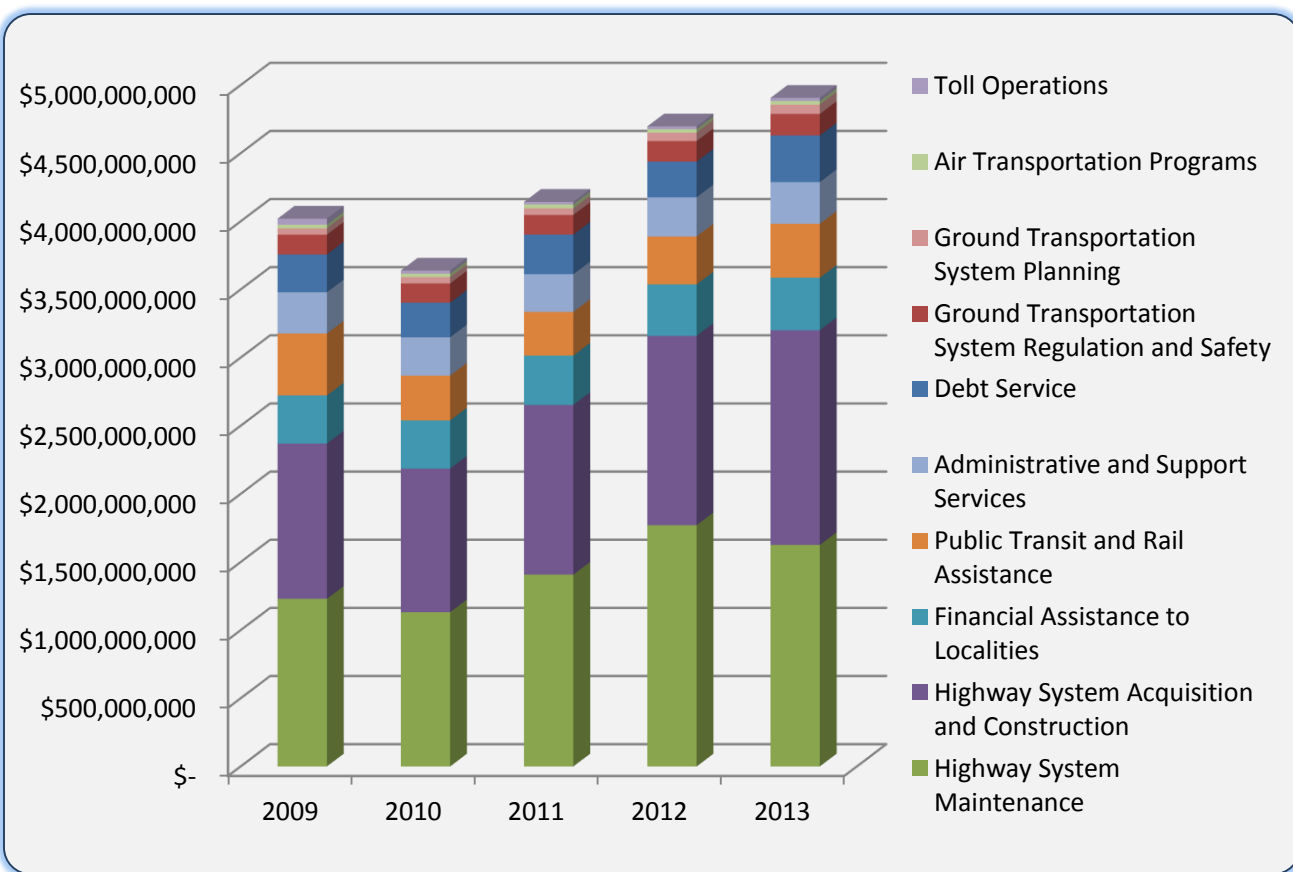


## Use of Funds

In fiscal year 2013, the agencies under the Secretary of Transportation spent over \$4.9 billion, or just over ten percent of the Commonwealth's annual budget. Highway maintenance and construction of highways are perpetually the largest uses of these funds, with 55 percent spent in this area for 2013. However, as Chart B below reveals, in recent years larger percentages of transportation resources have gone to highway maintenance. The shift in uses of funds reflects the aging of the Commonwealth's infrastructure as well as a flattening of the revenue sources that support maintenance activities leading to the "crossover" of construction funding to support maintenance activities as required by the Code of Virginia.

**Five-year Trend of the Use of Funds**

**Chart B**



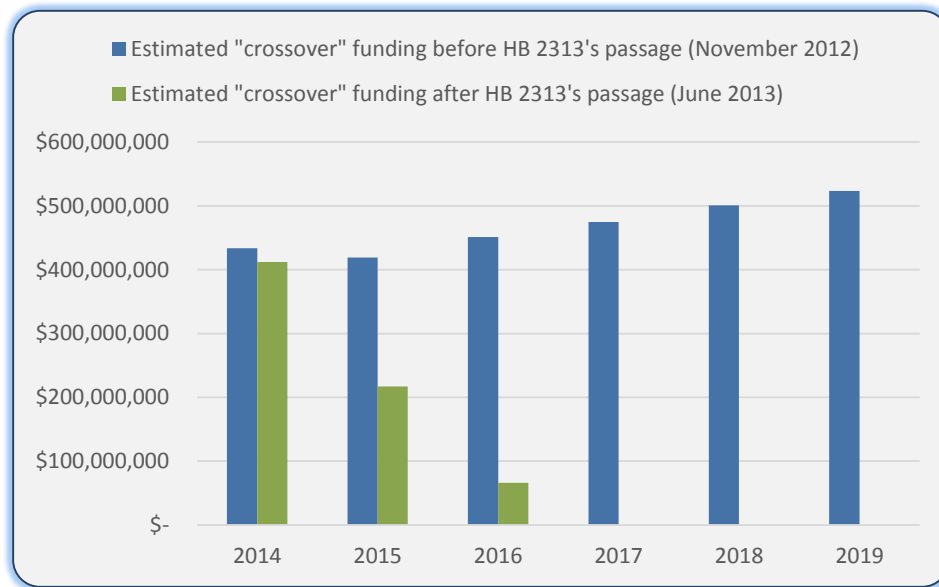
Source: Commonwealth Accounting and Reporting System

\*The legend order mirrors the order of the items presented in this Chart from top to bottom.

As noted above, the growth in "crossover" funding of maintenance activities helped drive the passage of House Bill 2313 to mitigate the projected continued loss of construction funding in the future. With the new sources of funding to support the CTF, forecasting estimates indicate that the need for "crossover" funding will be eliminated by fiscal year 2017. Chart C on the following page demonstrates the projected impact of the House Bill 2313 revenues, comparing the projected "crossover" funds needed between fiscal year 2014 and fiscal year 2019 before and after the bill's passage.

## Impact of House Bill 2313 on “Crossover” Funding

Chart C



Source: Virginia Department of Transportation, Financial Planning

The decrease and ultimate elimination of crossover funding will allow more resources to be dedicated to the growth and enhancement of the Commonwealth’s multi-modal transportation infrastructure. The exact timing of its elimination will depend on the actual revenues collected as a result of the changes.

### *Use of Debt*

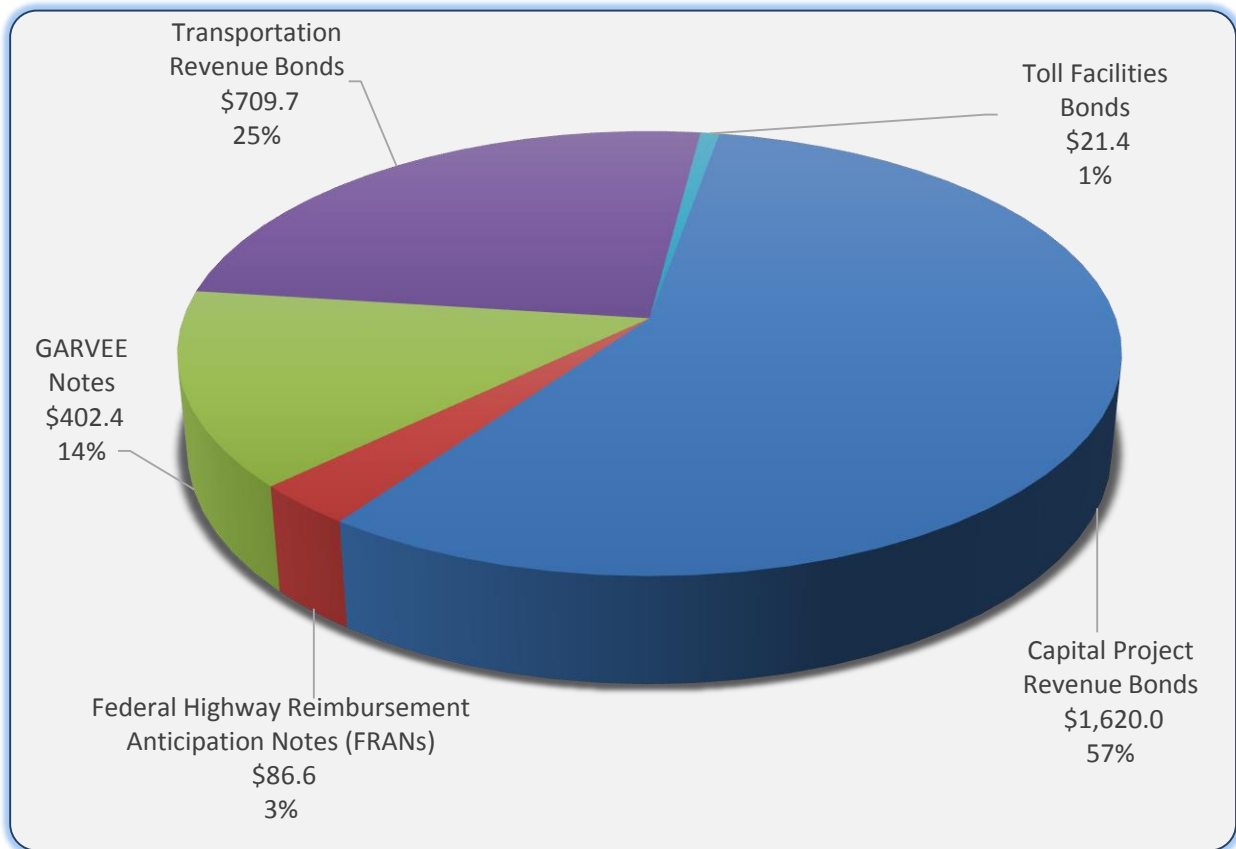
Over time, to meet the Commonwealth’s growing transportation infrastructure construction needs, the General Assembly has authorized the use of tax-supported and other forms of debt as a means for funding construction. House Bill 3202 passed by the General Assembly in 2007 and Chapter 781 of the Acts of the Assembly of 2009 authorized the issuance of up to \$3.2 billion of Capital Projects Revenue Bonds to support highway, transit, and rail capital projects. House Bill 2527 and Senate Bill 1446 passed by the General Assembly in 2011 authorize the acceleration of the release of these Capital Projects Revenue Bonds as well as the issuance of up to \$1.2 billion of Federal Transportation Grant Anticipation Revenue Notes.

The Commonwealth plans to use \$1.2 billion (38 percent) of the 2007 authorization for rail and transit projects. The balance of all authorizations will provide cash-flow for existing projects within the Commonwealth’s Six-Year Improvement Program that are without specific projects designation. Prioritization has been given to fulfilling federal and revenue sharing matching requirements set out in §33.1-23.4:01.3 of the Code of Virginia.

Chart D on the next page reflects the breakdown of the Transportation Agency Bonds Payable Outstanding as of June 30, 2013, excluding the outstanding balances for the Port Authority. The outstanding bonds are supported in part or in whole by the CTF, with the exception of the Toll Facilities Revenue Bonds, which are payable from the revenues of the toll facilities.

**Transportation Agency Bonds Payable Outstanding**  
**As of June 30, 2013** (*dollars in millions*)

**Chart D**



*Source: Commonwealth Accounting and Reporting System*

*Summary of the Sources and Uses of Funds*

Appendix B included at the end of this report provides a summary of the sources and uses of funds on a cash basis, by the agencies of the Secretary of Transportation, for the years ending June 30, 2012 and 2013, broken down by CTF and non-CTF sources, with one exception. Since the Port Authority issues its own Comprehensive Annual Financial Report, we have not included their financial activity within Appendix B. The Port Authority's Comprehensive Annual Financial Report can be found on our website, [www.apa.virginia.gov](http://www.apa.virginia.gov).



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

January 31, 2014

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited the financial records and operations of the **Agencies of the Secretary of Transportation**, as defined in the Audit Scope and Methodology section below, for the year ended June 30, 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Objectives

Our audit's primary objective was to evaluate the accuracy of Agencies of the Secretary of Transportation financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2013 and test compliance for the Statewide Single Audit. In support of this objective, for those agencies with significant cycles as listed below, we evaluated the accuracy of recording financial transactions in the Commonwealth Accounting and Reporting System, Cardinal, and other financial information they reported to the Department of Accounts, reviewed the adequacy of their internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

Management of the Agencies of the Secretary of Transportation has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Department of Motor Vehicles

Accounts receivable and revenues  
Payroll and other expenses  
Financial reporting

Information security and general system controls

Department of Transportation

Accounts receivable and revenues  
Accounts payable and disbursements  
Capital asset management  
Cash and debt management  
Contract management  
Inventory

Federal revenues, expenses and compliance for Highway Planning and Construction  
Payroll  
Information security and general system controls

Department of Rail and Public Transportation

Revenues  
Expenses  
Financial reporting

Federal revenues, expenses and compliance for Highway Planning and Construction  
Information security and general system controls

Department of Aviation

Revenues  
Expenses

Information security and general system controls

Motor Vehicles Dealer Board

Revenues  
Expenses

Information security and general system controls

The Virginia Port Authority was audited by other auditors and their report can be found at [www.apa.virginia.gov](http://www.apa.virginia.gov). Accordingly, the Virginia Port Authority was not included in the scope of this audit.

We performed audit tests to determine whether the Agencies' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, re-performance of automated processes, inspection of documents, records, contracts, reconciliations, board minutes, and the Code of Virginia, and observation of the Agencies' operations. We tested transactions, reviewed system access, and performed analytical procedures, including

budgetary and trend analyses. We confirmed cash balances with outside parties. Where applicable, we compared an agency's policies to best practices and Commonwealth standards.

### Conclusions

We found that the Agencies of the Secretary of Transportation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System, Cardinal, and in other financial information reported to the Department of Accounts for inclusion in the Comprehensive Annual Financial Report for the Commonwealth of Virginia. The Agencies record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts and grant agreements that require management's attention and corrective action. These matters are described in the section entitled "Audit Observations and Recommendations."

The Agencies have taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this letter.

### Exit Conference and Report Distribution

We discussed this report with management at the Agencies of the Secretary of Transportation as we completed our work on each agency. Management's responses to the findings identified in our audit, where provided, are included in the section titled "Agency Responses." We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

JBS/clj



# COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION  
1401 EAST BROAD STREET  
RICHMOND, VIRGINIA 23219 2000

Charles A. Kilpatrick, P.E.  
Commissioner

February 11, 2014

Ms. Martha S. Mavredes  
Auditor of Public Accounts  
Post Office Box 1295  
Richmond, Virginia 23219

Dear Ms. Mavredes:

The Department of Transportation appreciates the opportunity to respond to the Commonwealth Transportation Fund audit for Fiscal Year (FY) 2013. Your review has identified opportunities for the Department to enhance our current practices, for which we give our highest level of attention and consideration. The Department's plans to address the recommendations in the report are summarized as follows:

## **Continue to Evaluate Access to Cardinal Data**

Transportation recognizes the importance of accurate and timely information for business decision making and financial reporting. Two years post-implementation, great strides have been achieved by the users to learn the system and the underlying data structures. Transportation appreciates APA's recognition that while the Cardinal system contains a wealth of information, it is complex with many tables and data elements. Due to this magnitude and complexity, it will take considerable time and focused effort to fully understand and utilize the system.

Transportation will continue to collaborate with the Cardinal team and provide educational opportunities for staff to better understand the system and its data. Requests for data queries to support financial reporting will be facilitated by a systems liaison to ensure that the business needs are fully understood by the technical staff.

Additionally, Transportation will examine the Cardinal information needs of other system users to determine how access to such data can be improved. Combined, these actions should help ensure that Transportation's Cardinal users obtain the Cardinal information needed for business decision making and the related reporting is accurate.

### **Improve Controls over Financial Reporting**

FY 2013 was Transportation's first full year of operation in the new Cardinal financial system. Transportation and Accounts staff continue to learn the system and its enhanced capabilities. Transportation developed detailed procedures for the preparation of the financial attachments based on the processes followed in FY 2012, each of which contains a review process.

FY 2013 was the second year for preparing the submissions using Cardinal and the first year solely from Cardinal data. The staff continues to learn Cardinal and refine the procedures for preparing the submissions. Based on the knowledge and experience gained through the FY 2013 submissions, Transportation will review and update the procedures as needed to ensure accurate development in future years. This will include adding additional review and cross-checking steps and/or analytical procedures to strengthen the internal controls over financial reporting.

This will be an on-going step, to update the procedures each year for any changes. Transportation staff will also receive additional training, guidance and enhanced oversight to ensure all parties understand and perform the procedures and accurately complete the submissions with needed supporting materials. Transportation will also work closely with Accounts as we both learn how to utilize the Cardinal system to improve the quality of the submissions given the ability to obtain data previously unavailable in the former financial system.

### **Improve System Access Monitoring and Management**

Transportation understands the importance of conducting formal reviews of the financial system end user access. Significant progress has been made in FY 2014. In November 2013, a review was performed to identify user accounts with an inactive job data employee record and updates were made to the user accounts as appropriate. Transportation has developed a repeatable process to conduct a more robust review across all user accounts in the agency and has completed a pilot process with three central office divisions and one district. Transportation is currently refining the procedures and documentation and will complete the review for the remaining organizational areas before the end of the current fiscal year.

### **Improve IT Risk Assessment**

Due to the sensitive nature of this item, Transportation's corrective action plan has been provided under separate cover to your office.



### **Improve Controls over User Access**

Transportation recognizes that disabling PMIS access in a timely manner and maintaining the documentation is critical due to the sensitivity of the system. Transportation is strengthening procedures and creating an internal system to track requests for disabling PMIS access. The procedures will include following up with DHRM to ensure they have received and processed our requests. The process enhancements should ensure that PMIS access is removed promptly as necessary.

### **Improve Controls over FFATA Reporting**

Since the audit, Transportation has improved processes for identifying projects that were sub-awarded, making them more automated and streamlined. Transportation is currently reviewing the processes for additional controls to provide evidence of accurate reporting.

### **Improve Controls over Subrecipient Monitoring**

Transportation recognizes the importance of ensuring that all qualifying subrecipients of federal funds receive a required audit. Transportation is currently reviewing processes for identifying subrecipients that qualify for audit and will make revisions to the procedures to ensure the correct subrecipient audits are received and reviewed. Transportation will revise its audit review program to include review and comparison of Transportation's disbursements to subrecipient SEFAs for the FY 2013 audit reports and forward.

### **Improve Depreciation Processes and Controls in Equipment Management System**

Transportation concurs with the recommendations for making changes to the equipment system to correctly account for depreciation when certain conditions occur. Upon notification of the improvements needed, Transportation worked with the system vendor to make software improvements, which were implemented in November 2013.

### **Improve Procedures over Routine Journal Entries**

Transportation has ARMICS processes for many of our routine entries and has a month-end closing checklist that identifies the required month-end journal entries. These written processes help defray the risk that the required journal entries will not be recorded or be incorrect. Transportation will strengthen its current processes by updating its procedures to include a schedule of all recurring journal entries, with documented steps for completion.

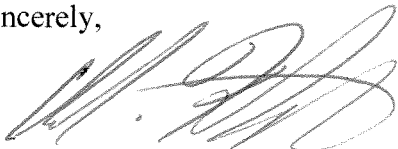
Ms. Martha S. Mavredes  
February 11, 2014  
Page Four

**Improve Retirement Reconciliation Process**

Transportation acknowledges that the implementation of the Virginia Retirement System's new VNAV system and the associated reconciliation process has been a challenge to our large agency due to the increased analyses that must be performed. There were a number of challenges with the transition to the new system and new processes, from conversion to monthly interface issues. Over the past year Transportation staff has been meeting internally and with VRS, working to find reports to enable a complete review. Using new reports available since March 2013, Transportation has been able to identify the discrepancies, make progress on interface problem resolutions and develop procedures for confirming the VNAV file monthly within the given short timeframe. New procedures and elimination of the backlog of variances from initial conversion will be completed by the end of the current fiscal year.

Thank you and your staff for all of your assistance and guidance during this review.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Kilpatrick', with a stylized, cursive flourish at the end.

Charles A. Kilpatrick, P.E.

cc: The Honorable Aubrey L. Layne  
Mr. Quintin D. Elliott  
Chiefs



# COMMONWEALTH of VIRGINIA

Department of Motor Vehicles  
2300 West Broad Street

**Richard D. Holcomb**  
Commissioner

Post Office Box 27412  
Richmond, VA 23269-0001

February 11, 2014

Ms. Martha S. Mavredes  
Auditor of Public Accounts  
Post Office Box 125  
Richmond, VA 23219

Dear Ms. Mavredes:

Thank you for this opportunity to respond to your latest audit of the Commonwealth Transportation Fund, Agencies of the Secretary of Transportation, for the fiscal year ended June 30, 2013. We are pleased that there were no findings related to our financial operations, and appreciate the professionalism and guidance of your staff.

The corrective action plans we are proposing in response to your findings have been provided to your staff. DMV continues its progress toward remediating the issues identified in the audit. Working with VITA and Northrop Grumman, we expect that these issues should be resolved by September 2014. We look forward to working with you in the future.

Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard D. Holcomb", with a long horizontal flourish extending to the right.

Richard D. Holcomb

RDH:dm



## COMMONWEALTH of VIRGINIA

JENNIFER L. MITCHELL  
Director

DEPARTMENT OF RAIL AND PUBLIC TRANSPORTATION  
600 EAST MAIN STREET, SUITE 2102  
RICHMOND, VA 23219-2416

(804) 786-4440  
FAX (804) 225-3752  
Virginia Relay Center  
800-828-1120 (TDD)

February 7, 2014

Ms. Martha S. Mavredes  
Auditor of Public Accounts  
Post Office Box 1295  
Richmond, VA 23218

Dear Ms. Mavredes:

Thank you for this opportunity to comment on the Commonwealth Transportation Fund audit for Fiscal Year 2013. The Department of Rail and Public Transportation concurs with the Auditor of Public Accounts' audit findings.

The Department of Rail and Public Transportation is implementing a comprehensive Information Security Program required by the Commonwealth's Information Technology Standards. DRPT expects the process to be significantly underway by late spring 2014. To augment the agency efforts in this process, outside resources are being obtained.

The Department of Rail and Public Transportation has implemented a regular review process which periodically and at least annually validates user access to systems. In accordance with Commonwealth policies, this ensures user access is reasonable and appropriate.

I thank you and your staff for your assistance during this review. Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink that reads "Jennifer L. Mitchell".

Jennifer L. Mitchell

cc: The Honorable Aubrey L. Layne, Jr

*The Smartest Distance Between Two Points*  
*[www.drpt.virginia.gov](http://www.drpt.virginia.gov)*

### **Implement a Comprehensive Information Security Program**

The Department of Rail and Public Transportation (Rail and Public Transportation) has only ten percent of the policies and procedures required by the Commonwealth's Information Technology Standards currently in place and therefore lacks a comprehensive information security program over their information systems. While some policies and procedures do exist, including a Continuity of Operations Plan (COOP), an Acceptable Use Policy, and a records retention policy, none fully satisfy the nine component areas identified in the Commonwealth's standards. For example, the records retention policy is the Library of Virginia's policy rather than being agency specific, while the COOP is written to satisfy the Commonwealth's standards regarding continuity of business operations and not the Commonwealth's Information Technology Standards regarding the continuity of IT operations.

The Commonwealth's Information Technology Standards outline the minimum acceptable level of information security and risk management for Commonwealth agencies. Agencies are required to provide protection of their own information systems at a level that is greater than or equal to the requirements set by the standard. Without a comprehensive information security program, Rail and Public Transportation increases the risk of inappropriate access to their systems and hampers their ability to ensure sufficient recovery of their systems and data in the event of a disaster. Failing to identify and outline the requirements of key information security roles and responsibilities in accordance with the Standard can also result in a lack of accountability in system users, owners, and security officers and their support of the agency's systems.

Management should ensure they are fully aware of the Commonwealth's Information Technology Standards currently in effect, as they have been recently updated. Management should then evaluate and update their existing policies and procedures and create new policies where none exist, as well as complete the required disaster recovery documents, in order to ensure their compliance with Commonwealth standards. The use of outside resources may be required to ensure that Rail and Public Transportation fully addresses the risks presented within their information system environment.

### **Improve System Access Monitoring**

Rail and Public Transportation does not regularly review user access to a key system to ensure it is reasonable and appropriate. Commonwealth standards require agencies to perform such a review periodically, and at least annually. While the system's user manual contains an authority table illustrating which access levels are appropriate for different positions or departments, management does not have a process to validate user access based on the authority table. Four employees had an access level that was unreasonable based on the guidelines in the authority table. Users with improper access could affect the integrity and accuracy of the information in this system and others due to direct interfaces that are in place between those systems. Rail and Public Transportation should develop and implement a policy to review user access periodically, and at least annually, in accordance with Commonwealth policies, to ensure user access is reasonable and appropriate.

OFFICIALS

As of June 30, 2013

Sean Connaughton, Secretary of Transportation

David Tyeryar, Deputy Secretary

Department of Motor Vehicles  
Richard D. Holcomb, Commissioner

Department of Transportation  
Gregory A. Whirley, Sr., Commissioner

Department of Rail and Public Transportation  
Thelma Drake, Executive Director

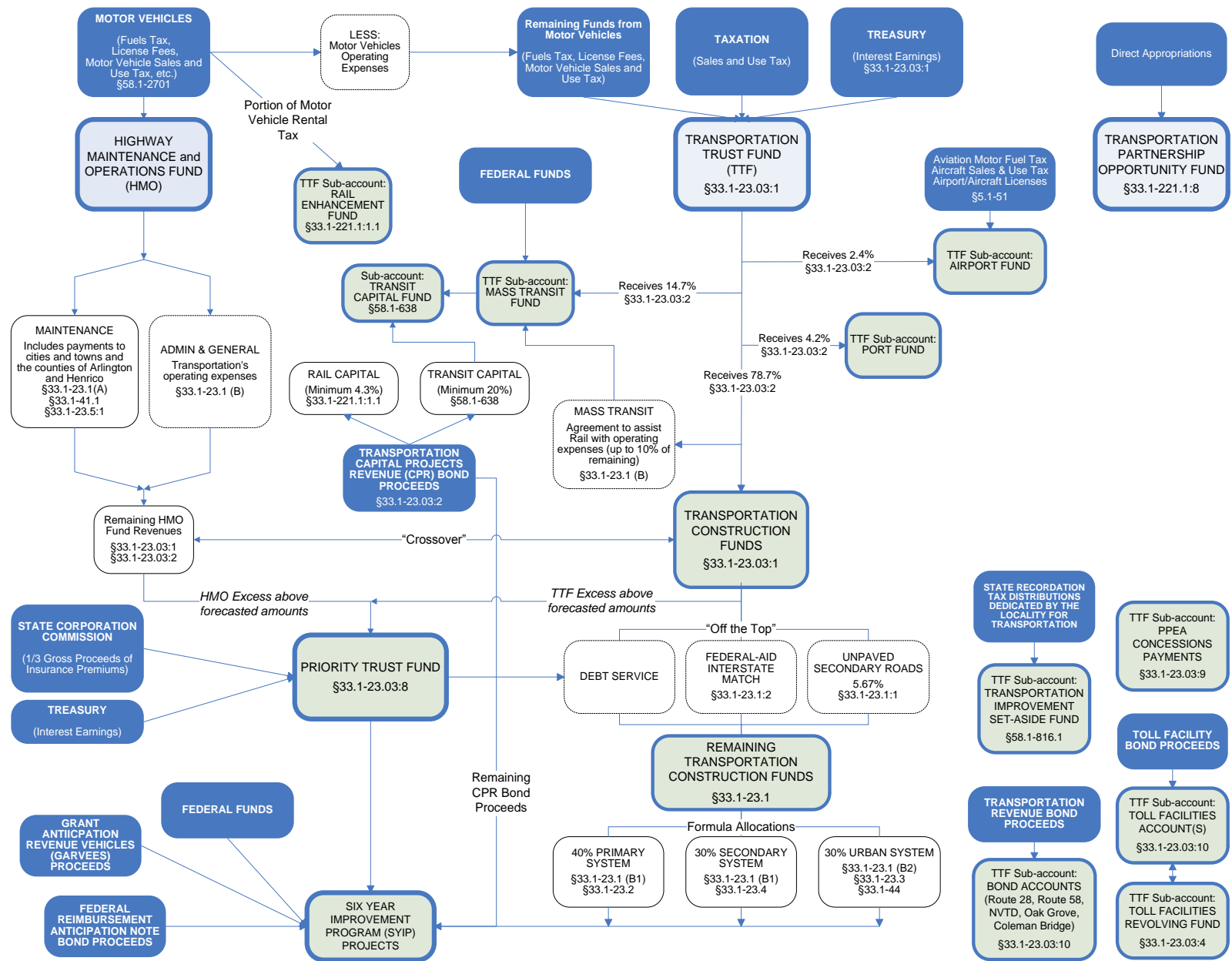
Department of Aviation  
Randall P. Burdette, Executive Director

Motor Vehicle Dealer Board  
Bruce Gould, Executive Director

COMMONWEALTH TRANSPORTATION BOARD

Sean T. Connaughton, Chairman  
Gregory A. Whirley, Sr., Vice Chairman

Roger Cole	Dana M. Martin
Thelma D. Drake	Sonny Martin
Hollis D. Ellis	John K. Matney
Fran Fisher	W. Sheppard Miller, III
F. Gary Garczynski	Mark J. Peake
Aubrey L. Layne, Jr.	Cord A. Sterling
Allen L. Louderback	F. Dixon Whitworth, Jr



AGENCIES OF THE SECRETARY OF TRANSPORTATION  
SUMMARY OF FINANCIAL INFORMATION  
SOURCES AND USES  
Cash Basis, For Fiscal Years 2013 and 2012

APPENDIX B

Sources:	Department of Aviation		Department of Motor Vehicles		Department of Transportation	
	2013	2012	2013	2012	2013	2012
<b>CTF Sources (net of refunds):</b>						
Taxes	\$ 30,214,463	\$ 28,811,580	\$ 1,101,143,059	\$ 1,082,607,732	\$ 832,581,722	\$ 814,285,347
Fees, licenses and permits	532,353	519,581	496,234,647	470,263,899	35,056,291	35,042,017
Tolls	-	-	-	-	25,906,377	26,337,994
Fines and assessments	1,959	1,201	26,732,001	26,887,834	2,364,221	2,100,785
Interest, dividends and rents	354,407	368,886	519,613	383,313	23,625,752	27,242,772
Federal grants and contracts	-	-	-	-	1,397,928,563	1,141,825,979
Other miscellaneous revenues	878,968	727,988	396,863	207,353	45,511,224	36,836,250
Receipts from cities, counties and towns	-	-	-	-	67,939,778	30,871,420
Revenue bond proceeds	-	-	-	-	144,268,808	1,220,642,519
<b>Total CTF sources</b>	<b>31,982,149</b>	<b>30,429,237</b>	<b>1,625,026,183</b>	<b>1,580,350,132</b>	<b>2,575,182,735</b>	<b>3,335,185,083</b>
<b>Non-CTF Sources (net of refunds):</b>						
General fund appropriations	30,246	30,246	-	-	40,000,000	135,241,000
Federal grants	105,942	64,918	-	(29,523)	-	-
Taxes	-	-	(3,080,256)	(144,408)	-	-
Fees, licenses, permits, fines & assessments	58,710	59,370	1,685,022	1,002,934	-	-
Other miscellaneous	-	12,026	119,319	188,500	3,239,758	1,694,583
<b>Total non-CTF sources</b>	<b>194,898</b>	<b>166,560</b>	<b>(1,275,915)</b>	<b>1,017,503</b>	<b>43,239,758</b>	<b>136,935,583</b>
<b>Total sources</b>	<b>32,177,048</b>	<b>30,595,796</b>	<b>1,623,750,267</b>	<b>1,581,367,635</b>	<b>2,618,422,493</b>	<b>3,472,120,666</b>
<b>Net transfers in/(out)</b>	<b>(598,930)</b>	<b>357,459</b>	<b>(1,391,559,555)</b>	<b>(1,362,113,463)</b>	<b>1,212,445,988</b>	<b>1,204,119,206</b>
<b>Total funds available for use</b>	<b>\$ 31,578,118</b>	<b>\$ 30,953,255</b>	<b>\$ 232,190,713</b>	<b>\$ 219,254,172</b>	<b>\$ 3,830,868,482</b>	<b>\$ 4,676,239,872</b>
<b>Uses:</b>						
<b>Expenses (net of refunds):</b>						
Administrative and support services	\$ 1,927,890	\$ 1,681,624	\$ 57,291,355	\$ 55,959,372	\$ 222,476,760	\$ 213,560,146
Air transportation programs	4,156,697	4,285,797	-	-	-	-
Capital Outlay projects	-	-	494,404	1,250,875	15,722,064	7,815,987
Environmental monitoring & evaluation	-	-	-	-	10,962,866	8,018,020
Financial assistance to localities	23,423,297	22,655,923	-	-	385,234,950	377,631,459
Ground transportation regulation	-	-	152,041,000	144,339,606	-	-
Ground transportation planning	-	-	-	-	51,366,329	46,690,945
Ground transportation safety	-	-	5,386,297	6,346,086	-	-
Highway acquisition and construction	-	-	-	-	1,575,600,025	1,389,447,579
Highway maintenance	-	-	-	-	1,625,525,848	1,770,241,954
Mass transit assistance	-	-	-	-	-	-
Debt service, principal and interest	-	-	-	-	342,479,539	261,538,745
Rail assistance	-	-	-	-	-	-
Regulation of professions and occupations	-	-	-	-	-	-
Toll facility operations	-	-	-	-	22,873,632	19,969,229
<b>Total uses</b>	<b>\$ 29,507,884</b>	<b>\$ 28,623,344</b>	<b>\$ 215,213,057</b>	<b>\$ 207,895,939</b>	<b>\$ 4,252,242,013</b>	<b>\$ 4,094,914,064</b>

Source: Commonwealth Accounting and Reporting System



AGENCIES OF THE SECRETARY OF TRANSPORTATION  
SUMMARY OF FINANCIAL INFORMATION  
SOURCES AND USES  
Cash Basis, For Fiscal Years 2013 and 2012

APPENDIX B

Sources:	Department of Rail and Public Transportation		Motor Vehicle Dealer Board		Total Agencies of the Secretary of Transportation	
	2013	2012	2013	2012	2013	2012
CTF Sources (net of refunds):						
Taxes	\$ 179,881,734	\$ 170,284,362	\$ -	\$ -	\$ 2,143,820,977	\$ 2,095,989,021
Fees, licenses and permits	3,173,020	3,091,866	-	-	534,996,310	508,917,364
Tolls	-	-	-	-	25,906,377	26,337,994
Fines and assessments	11,997	7,356	-	-	29,110,178	28,997,177
Interest, dividends and rents	2,007,364	2,028,481	-	-	26,507,136	30,023,453
Federal grants and contracts	29,791,332	37,004,696	-	-	1,427,719,895	1,178,830,675
Other miscellaneous revenues	859,861	220,828	-	-	47,646,915	37,992,419
Receipts from cities, counties and towns	684,903	687,446	-	-	68,624,681	31,558,865
Revenue bond proceeds	-	-	-	-	144,268,808	1,220,642,519
<b>Total CTF sources</b>	<b>216,410,209</b>	<b>213,325,036</b>	<b>-</b>	<b>-</b>	<b>4,448,601,277</b>	<b>5,159,289,487</b>
Non-CTF Sources (net of refunds):						
General fund appropriations	-	-	-	-	40,030,246	135,271,246
Federal grants	-	-	-	-	105,942	35,395
Taxes	-	-	143,495	125,688	(2,936,761)	(18,720)
Fees, licenses, permits, fines & assessments	-	-	2,093,838	2,090,663	3,837,570	3,152,966
Other miscellaneous	-	-	2,768	4,794	3,361,845	1,899,903
<b>Total non-CTF sources</b>	<b>-</b>	<b>-</b>	<b>2,240,102</b>	<b>2,221,145</b>	<b>44,398,843</b>	<b>140,340,790</b>
<b>Total sources</b>	<b>216,410,209</b>	<b>213,325,036</b>	<b>2,240,102</b>	<b>2,221,145</b>	<b>4,493,000,119</b>	<b>5,299,630,277</b>
<b>Net transfers in/(out)</b>	<b>177,329,405</b>	<b>179,653,510</b>	<b>(14,956)</b>	<b>(25,576)</b>	<b>(2,398,047)</b>	<b>21,991,136</b>
<b>Total funds available for use</b>	<b>\$ 393,739,615</b>	<b>\$ 392,978,545</b>	<b>\$ 2,225,146</b>	<b>\$ 2,195,569</b>	<b>\$ 4,490,602,073</b>	<b>\$ 5,321,621,414</b>
Uses:						
Expenses (net of refunds):						
Administrative and support services	\$ 5,203,250	\$ 4,897,552	\$ -	\$ -	\$ 286,899,256	\$ 276,098,694
Air transportation programs	-	-	-	-	4,156,697	4,285,797
Capital Outlay projects	-	-	-	-	16,216,467	9,066,862
Environmental monitoring & evaluation	-	-	-	-	10,962,866	8,018,020
Financial assistance to localities	-	-	-	-	408,658,247	400,287,382
Ground transportation regulation	-	-	-	-	152,041,000	144,339,606
Ground transportation planning	5,299,726	6,470,399	-	-	56,666,056	53,161,345
Ground transportation safety	-	-	-	-	5,386,297	6,346,086
Highway acquisition and construction	-	-	-	-	1,575,600,025	1,389,447,579
Highway maintenance	-	-	-	-	1,625,525,848	1,770,241,954
Mass transit assistance	346,104,273	309,167,536	-	-	346,104,273	309,167,536
Debt service, principal and interest	-	-	-	-	342,479,539	261,538,745
Rail assistance	50,052,249	42,680,842	-	-	50,052,249	42,680,842
Regulation of professions and occupations	-	-	2,189,543	2,006,200	2,189,543	2,006,200
Toll facility operations	-	-	-	-	22,873,632	19,969,229
<b>Total uses</b>	<b>\$ 406,659,499</b>	<b>\$ 363,216,329</b>	<b>\$ 2,189,543</b>	<b>\$ 2,006,200</b>	<b>\$ 4,905,811,996</b>	<b>\$ 4,696,655,875</b>